

# PENNSYLVANIA DAIRY INVESTMENT PROGRAM

Program Guidelines | September 2019



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## Section I – Statement of Purpose

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The Pennsylvania Dairy Investment Program (PDIP) was established under the Act of July 1, 2019 (P.L. \_\_\_, No. 38) for research and development, organic transition, value-added processing, and marketing grants in support of Pennsylvania's Dairy Industry. The program is administered jointly by the Department of Community and Economic Development (DCED) and the PA Department of Agriculture (PDA), under the direction of the Commonwealth Financing Authority (CFA).

## Section II – Definitions

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For evaluating projects under this program, the following terms shall be defined as:

1. **Cooperative** – A for-profit or not-for-profit corporation formed under 15 Pa.C.S. Pt. II Subpt. D (relating to cooperative corporations) that is owned and governed by the people who use the corporation's goods and services and share any profits of the corporation.
2. **Dairy products** – Food or non-food products made from milk (as defined below) and other ingredients.
3. **Mid-tier value chain** – Local and regional supply networks that link independent producers with businesses, cooperatives, or consumers that market value-added dairy products in a manner that enhances the profitability of dairy farms.
4. **Milk** – A fluid secreted by the mammary glands of cows, sheep, and goats, for human consumption and use and classified as Grade A or Grade B with a current permit from the Pennsylvania Department of Agriculture.
5. **Organic** – A farm or processing operation that in whole or in part has been certified as organic or in transition to organic by a third-party accredited by the U.S. Department of Agriculture. The term includes the production and processing of milk and dairy products and the production of certified organic feed grains for certified organic dairy animals.
6. **Processor** – An entity that pasteurizes or bottles milk for sale or transforms milk into value-added dairy products.
7. **Producer** – A person, group, or legal entity that: (1) owns or operates a farm in the Commonwealth that is not less than ten contiguous acres in where the production of milk occurs; and (2) has an anticipated yearly gross income of at least \$10,000.
8. **Value-Added Dairy** – The process of transforming milk into a product of higher economic value in the marketplace for a food use (such as, but not limited to, cheese, yogurt, butter, ice cream, or extended shelf-life products) or non-food use (such as the use of milk-based casein in glue or a pharmaceutical application).

## Section III – Eligibility

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### A. Eligible Applicants

Any of the following entities may apply for a grant under the Pennsylvania Dairy Investment Program (PDIP):

1. **Business** – A corporation, partnership, sole proprietorship, limited liability company, cooperatives, or other commercial entity approved by the Commonwealth Financing Authority.
2. **Not-for-profit** – Any private not-for-profit entities undertaking agriculture-related activities that support the dairy industry.
3. **Schools** – Any public, private, or charter schools.
4. **Institutions of higher education** – An entity that is an accredited university, college, seminary college, community college, or two-year college.

### B. Eligible Projects

Eligible projects located within the Commonwealth that support the dairy industry under the Pennsylvania Dairy Investment Program may involve:

1. **Research and Development** – These projects involve:
  - a. Identifying new food or beverage products using milk or milk components;
  - b. Identifying pharmaceutical or industrial uses for milk or milk components;
  - c. Extending the shelf life of milk and dairy products;
  - d. Developing production and processing methods that reduce the risk of foodborne illness in Grade A or B milk and dairy products;
  - e. Developing new technologies allowing producers, processors, and distributors to provide consumers with transparent, verifiable information on milk and dairy products;
  - f. Developing specialized equipment for use in organic production, value-added processing, or marketing of milk and dairy products;
  - g. Researching, developing, and distributing of best management practices to enhance the workforce skills in milk and dairy production and processing;
  - h. Developing specialized or innovative packaging for milk and dairy products that enhance the flavor or appearance of the products or reduce the risk of foodborne illness.
2. **Transitioning to Certified Organic Production, Processing, and Distribution** – These projects involve:
  - a. Defraying costs of a third-party certification audit conducted by an auditor accredited by the United States Department of Agriculture;
  - b. Defraying costs of technical assistance to dairy producers or processors developing or implementing Organic System Plans for milk or feed grains;
  - c. Defraying costs associated with design of product labeling to feature the USDA Certified Organic seal;

- d. Developing signage or other tools by which producers transitioning to organic production methods can provide notice to other producers, municipal employees, or the public of the application of pesticides near property boundaries;
  - e. Defraying the cost of specialized equipment for organic processing.
3. **Value-Added Processing** – These projects involve:
- a. A third-party feasibility analysis of the economic, market, technical, financial, and management capabilities of a proposed project or project site;
  - b. Additional costs related to food safety licensing or certification incurred as the result of a new or expanded value-added dairy facility;
  - c. Capital costs to construct a new or expand an existing value-added dairy facility;
  - d. Costs related to site selection and development, permitting, zoning, or regulatory compliance with federal, state, or local laws, regulations, or ordinances incurred as the result of a new or expanded value-added dairy facility.
4. **Marketing** – These projects involve:
- a. Domestic or international market research and demonstration programs for milk and dairy products;
  - b. Defraying the costs of technical assistance in creating or expanding a cooperative or other shared marketing arrangement, including mid-tier value chains;
  - c. Regional or local branding efforts serving more than one producer or processor and complementing the PA Preferred program;
  - d. Paid media advertising that intentionally segments the marketplace and identifies a target audience to influence consumer buying habits and behavior in favor of milk;
  - e. Developing on-farm tourism opportunities as a potential source of additional revenue for a producer;
  - f. Distribution of specialized packaging for milk and dairy products that enhance the flavor or appearance of the products or reduce risk of foodborne illness;
  - g. Promotional campaigns, including the pairing of milk and dairy products with other Pennsylvania-produced foods and beverages.

## Section IV – Program Requirements

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### A. Matching Funds

Projects require a 15% cash match of the total project cost.

### B. Other Requirements

#### 1. Conflict of Interest Provision

An officer, director, or employee of an applicant who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

#### 2. Nondiscrimination

No assistance shall be awarded to an applicant under this program unless the applicant certifies that the applicant shall not discriminate against any employee or against any person seeking employment by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act, which prohibits discrimination on the basis of race, color, religious creed, ancestry, age, sex, national origin, handicap or disability, or in violation of any applicable federal laws. All contracts for work to be paid with grant funds must contain the commonwealth's official nondiscrimination clause.

#### 3. Project Records

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The CFA requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the CFA, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

#### 4. Pennsylvania Prevailing Wage Act

The Pennsylvania Prevailing Wage Act (43 P.S. § 165-1 et seq.; 34 Pa. Code § 9.101 et seq.) may be applicable to a project funded under this program. Prevailing Wage requirements are generally applicable to grants for construction, demolition, reconstruction, alteration, repair work, renovations, build-out and installation of machinery and equipment more than \$25,000. If applicable, the grantee is responsible for including prevailing wage rates in all bid documents, specifications, and construction contracts pertaining to the Project. The Department of Labor and Industry (L&I) has final authority to make prevailing wage applicability determinations.

#### 5. Certification of Expenses

In lieu of a formal project audit and prior to final closeout of the grant agreement, the applicant shall be required to submit copies of all canceled checks verifying the expenditure of the Pennsylvania Dairy Investment Program proceeds. Bank statements may also be submitted if electronic payment of the expenditure occurred.

#### 6. Bidding Requirements

Applicants are responsible for seeking competitive bids for all work conducted with the grant funds. Additionally, the applicants must comply with all applicable federal, state, and local laws and regulations dealing with bidding and procurement.

**7. Guideline Provisions**

The PDIP guidelines may be modified or waived by the CFA unless otherwise required by law.

**8. Final Report**

Successful applicants will be required to provide two copies of a final report at the end of the project. This final report will outline activities that took place during the project, an evaluation of project outcomes, the grant provided, and total costs for the project. In addition, a one-page executive summary, outlining the above information and applicable for public release, must be included as part of the final report.

**C. Fees**

The Commonwealth Financing Authority charges a \$100 non-refundable application fee for PDIP applications. The application fee must be paid electronically by credit or debit card through our secure, third-party vendor. Payment of the application fee must be completed prior to the certification and submission of the Electronic Single Application for Assistance. Detailed payment instructions will be provided on the Certification Tab of the Electronic Single Application for Assistance once all required fields have been completed.

## **Section V – Grants**

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A. Grant awards shall not exceed the following amounts:

1. Research and development: \$100,000
2. Transition to organic: \$50,000
3. Value-added processing:
  - On-farm or single producer project: \$50,000
  - Cooperative, processing plant, or multi-producer project: \$500,000
4. Marketing: \$100,000

B. Commencement of work prior to receiving CFA approval will result in the project being ineligible for funding consideration.

C. To be eligible for reimbursement, project costs must be incurred within the time frame established by the grant agreement.

## Section VI – Application Process

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### A. Application Procedures

1. To apply for funding, the applicant must submit the on-line Department of Community and Economic Development Electronic Single Application for Assistance located at [www.esa.dced.state.pa.us](http://www.esa.dced.state.pa.us). Required supplemental information outlined in Appendix I of these guidelines must be attached electronically to the application as directed on the Addenda tab. For technical inquiries regarding the submission of the on-line application, contact the Customer Service Center at (800) 379-7448 or (717) 787-3405. Once submitted, please print two (2) copies of the application, including the required supplemental information, and mail to:

PA Department of Community and Economic Development  
Business Financing – Grants Office  
Pennsylvania Dairy Investment Program  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

Please reference the application ID number on any documents mailed.

The CFA will review applications to ensure that each proposed project meets eligibility requirements. Evaluation criteria are outlined below.

Applications will be accepted between September 18, 2019 and November 15, 2019. All applications and required supplemental information must be electronically submitted by the close of business on November 15, 2019.

The CFA charges a \$100 non-refundable application fee for the Pennsylvania Dairy Investment Program applications. The application fee must be paid electronically by credit or debit card through our secure, third-party vendor. Payment of the application fee must be completed prior to the certification and submission of the Electronic Single Application for Assistance. Detailed payment instructions will be provided on the Certification Tab of the Electronic Single Application for Assistance once all required fields have been completed.

### B. Application Evaluation

**All applications, regardless of the nature of the project (as defined herein under Section 3(B)) will be evaluated and scored based on the extent to which they:**

1. Incorporates at least 75% Pennsylvania-sourced milk into the proposed project.
2. Include specific, measurable evaluation criteria for the project.
3. Leverage matching funds from other sources, including applicant contribution.
4. Create a replicable model for use across Pennsylvania.
5. Provide an itemized budget of all costs related to the project.
6. Develop a strategic plan for project implementation.

**Applications submitted under the “Research and Development” category also will be scored on the following additional measures:**

1. The applicant’s ability to demonstrate the need for such research, including a clearly defined problem statement or market opportunity, and an explanation as to how the research will address that problem or seek to capitalize on that market opportunity.
2. Establish a clear methodology for conducting and evaluating the research.

**Applications submitted under the “Value-added Processing” category will be scored on the following additional measures:**

1. Projected increases to gross and net incomes because of the value-added process.
2. Demonstration of how agricultural infrastructure, such as processing and manufacturing capacity, will be expanded.
3. Job creation and expansion of workforce development and educational opportunities.
4. Diversification of products to strengthen markets and build resiliency among dairy farmers and processors.
5. Ability to leverage additional public investments in infrastructure systems.

**Applications submitted under the “Marketing” category will be scored on the following additional measures:**

1. Ability to define a set criterion by which the project quantifies changes in consumer preferences, buying habits, or sales.
2. Ability to identify targeted demographic or psychographic segments of the consumer population.
3. Ability to leverage other sources of funding from the dairy industry for creative development, media buys, or market research among other examples.

## **Section VII – Procedures for Accessing Funds**

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1. Upon approval of an application by the CFA, a grant agreement and commitment letter will be issued to the applicant explaining the terms and conditions of the grant. The grant agreement and commitment letter must be signed and returned to the CFA within 45 days of the date of the commitment letter or the offer may be withdrawn by the CFA.
2. An executed grant agreement between the applicant and the CFA is required for the applicant to receive payment of grant funds.
3. Requests for payment must be submitted to the DCED Grants Office by submitting a payment request form accompanied by invoices, bid tabs, construction contracts or other approved documentation verifying costs incurred by the applicant. Applicants should take note that payment requests require 2-4 weeks for processing.

## **Section VIII – Restrictions and Limitations**

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1. An applicant may not make or authorize any substantial change in an approved project without first obtaining consent of the CFA in writing.
2. If the full amount of the grant is not required for the project, the unused portion shall be returned to the CFA.
3. Funds must be used for new projects and may not be used for fees for securing other financing, interest on borrowed funds, refinancing of existing debt, lobbying, fines, or application preparation fees.
4. Administration costs shall not exceed 2% of the total grant award.
5. Applications are based on a singular project.
  - Only one project may be submitted per application.
  - Multiple phases of a singular project may be included in one application.
  - Applicants may submit multiple applications.

## **Section IX – Program Inquiries**

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Program inquiries should be directed to:

PA Department of Community and Economic Development  
Business Financing – Grants Office  
Pennsylvania Dairy Investment Program  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

Telephone: (717) 787-6245  
Fax: (717) 787-9154  
Email: ra-dcedcbf@pa.gov

## **Appendix I – Application Supplemental Items**

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In addition to the Single Application, the Applicant shall submit the following list of items:

**Exhibit 1 Project Description**

Provide a clear and concise description of the project which discusses all the following:

- a. a detailed project description to include specific project activities and the goal to be achieved by carrying out the proposed activities of the project;
- b. the specific location of the project site;
- c. a projected schedule and detailed timeline for the project;
- d. the percentage of Pennsylvania-sourced milk incorporated in the project;
- e. the way the evaluation criteria, found in Section VI (B), is applicable to the project.

**Exhibit 2 Cost Estimate**

A thorough, detailed and complete estimate (including unit costs and quantities) for the total project cost. The estimate must be current and must be prepared by a qualified professional.

**Exhibit 3 Matching Funds Commitment**

Provide funding commitment letters from all other project funding sources (including equity commitments):

- Funding commitments or term sheets provided by lending institutions must include the term, rate, and collateral conditions and must be signed and dated.
- Funding commitments of equity from the applicant or private third party must be signed and dated (indicating the amount of funds being committed) and be accompanied by documentation (such as audited financial statements) showing the ability to commit such matching funds.